

**Mississippi State Department of Health
Division of Health Planning and Resource Development
November 2008**

**CON Review HG-NIS-0608-025
South Lamar Medical Imaging, LLC
d/b/a South Lamar Medical Center
Establishment and Provision of Mobile MRI Services
Capital Expenditure: \$24,000
Location: Oxford, Lafayette County, Mississippi**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

South Lamar Medical Imaging, LLC d/b/a South Lamar Medical Center (South Lamar) is a limited liability company formed on September 12, 2008. The entity is governed by a two-member board.

B. Project Description

South Lamar requests Certificate of Need (CON) authority to offer mobile magnetic resonance imaging (MRI) services at its facility one day a week by contracting with a mobile MRI company. The mobile MRI services will be located in a yet-to-be constructed imaging center located on the first floor of a to-be constructed medical office building.

The application contained a proposed contract between the applicant and Alliance Imaging (Alliance). According to the applicant, the equipment will be a 1.5 Tesla unit that is shielded and has all computers, consoles, and tables necessary for providing MRI services.

The applicant's final objectives for the proposed project are to provide accessible, high quality and affordable mobile MRI services to patients in and around the Oxford area.

South Lamar expects that the project will require two FTE's at an annual cost of \$140,250 the first year.

The Division of Health Facilities Licensure and Certification has approved the site for MRI services. The applicant expects to complete the project within 60 days of CON approval.

II. TYPE OF REVIEW REQUIRED

Projects which propose the establishment of MRI services are reviewed in accordance with Section 41-7-191, subparagraph (1)(d)(xii) of the Mississippi Code of 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria and standards of the Mississippi State Department of Health.

In accordance with Section 41-7-197 (2) of the Mississippi Code 1972 Annotated, as amended, any person may request a public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on December 4, 2008.

In addition, this project is reviewed under the *FY 2007 State Health Plan* in effect on August 8, 2008, when this application was received. The 2009 State Health Plan has an effective date of August 11, 2008.

III. CONFORMANCE WITH THE STATE HEALTH PLAN AND OTHER ADOPTED CRITERIA AND STANDARDS

A. State Health Plan (SHP)

The *FY 2007 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving Certificate of Need (CON) authority for offering MRI services. This application is in substantial compliance with applicable criteria and standards.

SHP Criterion 1- Need

An entity desiring to offer MRI services must document that the equipment shall perform a minimum of 1,700 procedures per year using the procedures estimation methodology presented in the Plan. The Plan provides, however, that: "If the MRI unit in question is presently utilized by more than one provider of MRI services, the actual number of procedures performed by them during the most recent 12-month period may be used instead of the formula projections". In addition, the Plan requires that if a particular MRI unit is utilized by more than one provider of MRI services, all existing or proposed providers of MRI services must jointly meet the required service volume of 1,700 procedures annually.

The applicant states that South Lamar will join a mobile route, served by Alliance, whose locations performed a total of 2,900 procedures during the last 12 months. The facilities and the number of procedures performed at each location to be served by the proposed route are listed in the table below:

Facility/Location	County	No. Proc. 9/07-8/08	Projected* Procedures
Methodist Fayette Hospital	Somerville, TN	358	399
Henderson Co. Community Hospital	Lexington, TN	590	613
McNairy Regional Hospital	Selmer, TN	658	644
South Lamar Medical Center	Oxford, MS	NA	350
Total		1,601	1,906

*Projections based on No. procedures performed from 11/2007 – 10/2008 as submitted by applicant, plus the applicant’s projected procedures for the first year of operation.

The stated facilities are located in cities which range in distances of 43 to 109 miles apart. The applicant currently serves or proposes to serve each of the facilities one day per week; therefore, the route appears to be reasonable.

The applicant further submits that there is only one (1) hospital-based MRI provider in Lafayette County and nineteen (19) MRI providers operating or CON approved in General Hospital Service Area 1 (GHSA 1). The applicant further asserts that approval of South Lamar’s one day a week mobile unit would only increase the number of MRIs in Lafayette by .2 of a full-time equivalent with no anticipated adverse impact to the other Oxford provider.

The applicant makes the following projections of MRI procedures to be performed during the first three years of operation:

Projected MRI Procedures		
Year 1	Year 2	Year 3
350	450	550

According to the FY 2007 *State Health Plan*, there were 20 operating or CON-approved MRI service sites in GHSA 1 in FY 2005, operating 23.53 FTE MRI units. Updated information indicates that there were 25 MRI service sites in FY 2007, operating 25.38 FTE MRI units. These units performed 56,309 MRI procedures in FY 2007 for an average of 2,219 procedures per FTE MRI unit. (See Attachment 2 for listing of MRI sites in GHSA 1, both fixed and mobile, and FTEs).

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

South Lamar certifies that it will provide and/or make available to its patients computed tomography (CT), ultrasound, and conventional radiology angiography, mammography and nuclear medicine.

SHP Criterion 3 - Accessibility

The applicant certified that neither South Lamar nor its medical personnel will have policies or procedures which will exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

SHP Criterion 4 - Staffing

The applicant affirmed that Lee Norris, M.D., a board-certified radiologist, will be on site during the hours of operation to serve as Physician Director. Also, a full-time MRI technologist will be available during the hours of operation, provided by the mobile imaging provider.

SHP Criterion 5 - Research Staffing

South Lamar affirmed that the facility will not use MRI equipment for experimental procedures.

SHP Criterion 6- Data Requirement

The applicant affirmed that the facility will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health upon request.

SHP Criterion-7- CON Approval

The applicant certified that prior to the mobile MRI service being provided, the chosen mobile MRI vendor will obtain CON approval to add South Lamar's site to its mobile route.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2008 revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 –State Health Plan

The application was reviewed for compliance with the FY 2007 State Health Plan as discussed above.

GR Criterion 2 - Long Range Plan

According to the applicant, the submission of this application seeks to promote South Lamar's long range plan to provide affordable, quality treatment and imaging services for its patients.

GR Criterion 3- Availability of Alternatives

According to the applicant, two alternatives to mobile MRI services were considered:

The applicant stated that it considered not offering MRI services at this location; however, without MRI services, it would not be able to offer a full range of diagnostic imaging services. South Lamar further stated that it also considered purchasing a fixed MRI unit; however, after consideration, it determined that it would be less costly and more effective and efficient for its needs to provide mobile MRI services one day a week at its facility.

South Lamar believes that the project will afford residents of Lafayette County and the surrounding area improved access to MRI services. According to the applicant, patients and their physicians will also have access to another imaging provider in a free-standing location.

GR Criterion 4 - Economic Viability

Based on the applicant's three year projected operating statement, this project will be economically viable. The three-year projected operating statement contained in the application indicates a loss of \$54,015 the first year, and income of \$9,090 the second year and \$76,588 the third year of operation.

South Lamar submits that operating a free-standing imaging center is less costly than hospital operating costs; furthermore, there is less cost to the health care system by utilizing a mobile unit. The applicant does not anticipate a large impact on healthcare costs as a result of this project.

The applicant's projected level of utilization is in line with similar facilities in the service area. The applicant's projected volume of utilization for the mobile MRI for the first year is 350 procedures.

GR Criterion 5 - Need for the Project

South Lamar submits that in general, the addition of a 1.5T unit to the Oxford area, by an alternative provider, is needed in order to improve accessibility to MRI services. There are currently two MRI units in Oxford – one at the hospital and one at the hospital's joint venture approximately one mile from the hospital. Applicant states that the unit in the hospital is a 3.0T and the unit at the joint venture is an open MRI which the applicant believes is a .65T. According to the applicant, the unit located in the hospital is difficult to physically reach and physicians are experiencing delays in scheduling patients who need a more advanced scan than the open magnet can provide. The applicant expects that

many patients that use the 3.0T would be likely candidates for the 1.5T, leaving the more complex cases to the hospital's 3.0T and freeing up scheduling spots.

The application contains four letters of support and affidavits from four physicians.

In addition, the application received one letter of opposition to the project from BMH North Mississippi Imaging Services, LLC and Baptist Memorial Hospital-North Mississippi.

GR Criterion 6- Access to the Facility

The applicant affirmed that all residents of the health planning service area, hospital service area and patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly have access to the services of the existing facility and will continue to have access.

The applicant projects 2.0 percent of gross patient revenue (\$5,610) will be provided to charity/medically indigent patients for the first year at South Lamar Medical Center.

GR Criterion 7- Information Requirement

South Lamar states that it will record and maintain the information stated in this criterion regarding charity care, care to the medically indigent and Medicaid populations and make it available to the Mississippi State Department of Health within 15 days of request.

GR Criterion 8 - Relationship to Existing Health Care System

South Lamar proposes to join a mobile MRI route whose equipment performed 1,700 procedures in the past 12 months. The applicant does not anticipate any provider in Lafayette County or Oxford will be adversely impacted by the addition of a one-day per week mobile service provider as proposed by the application.

The applicant submits that the new service will provide continuity and quality health services to South Lamar's patients and will provide South Lamar's patients and physicians another alternative for receiving MRI services.

GR Criterion 9 - Availability of Resources

The applicant affirmed that South Lamar will have a medical director as required by the State Health Plan, and the mobile vendor will provide the MRI technologist and any other personnel it finds necessary to actually conduct the MRI scan. The applicant does not anticipate problems hiring needed personnel given there is an adequate supply of technologists in the North Mississippi/Memphis area.

GR Criterion 11- Health Professional Training Programs

South Lamar proposes to contract with Alliance Imaging to provide support personnel to conduct the studies. If any preliminary or post tests are required, the applicant states it will advertise for personnel through the local papers, job fairs, on its website and through word-of-mouth regarding any available positions.

GR Criterion 16 - Quality of Care

South Lamar Medical Center will be a new imaging center located in Oxford. The applicant states that the approval of this project will allow South Lamar to provide its patients and referring physicians a broad spectrum of imaging services in one location at a free-standing provider.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total estimated capital expenditure is allocated as follows:

	Item	Cost	Percent of Total
a.	Construction Cost -- New	\$0	0
b.	Construction Cost -- Renovation	0	0
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	0	0
e.	Total Non-Fixed Equipment Cost	19,000	79%
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	0	0
i.	Contingency Reserve	0	0
j.	Capitalized Interest	0	0
k.	Other (Legal and Accounting Fees)	5,000	21%
	Total Proposed Capital Expenditure	\$24,000	100%

B. Method of Financing

This project is proposed to be financed through equity contributions.

C. Effect on Operating Costs

The three-year projected operating statement of Lamar Medical is provided in Attachment 1.

D. Cost to Medicaid/Medicare

The applicant's projection to third party payors is as follows:

Patient Mix by Payor	Utilization Percentage	First Year Expense
Medicaid	0%	\$ 0
Medicare	49%	137,439
Other	51%	143,048
Total	100%	\$ 280,487

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for comment; however, no comments were received.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the offering of mobile MRI services as contained in the FY 2007 Mississippi State Health Plan, Chapter 8 of the Mississippi Certificate of Need Review Manual, 2008 revision; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by South Lamar Medical Imaging, LLC d/b/a South Lamar Medical Center for the offering of mobile MRI services.

ATTACHMENT 1			
South Lamar Medical Imaging, LLC			
Three-Year Operating Statement			
	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	\$	\$	\$
Outpatient Care Revenue	280,487	<u>360,626</u>	<u>440,765</u>
Gross Patient Care Revenue	\$280,487	\$360,626	\$ 440,765
Charity	\$ 280	\$ 361	\$ 441
Deductions from Revenue	13,744	17,671	21,597
Net Patient Care Revenue	\$266,463	\$342,594	\$ 418,727
Total Operating Revenue	\$266,463	\$342,594	\$ 418,727
Operating Expenses			
Salaries	\$ 112,200	\$ 117,810	\$ 123,701
Benefits	28,050	29,453	30,925
Supplies	1,050	1,350	1,650
Services	0	0	0
Lease Expense	156,000	156,000	156,000
Depreciation	0	0	0
Other	23,177	28,892	29,863
Total Operating Expense	<u>\$320,477</u>	<u>\$ 333,505</u>	<u>\$ 342,139</u>
Net Operating Income	\$(54,014)	\$ 9,089	\$ 76,588
Assumptions			
Number of Scans	350	450	550
Charge per Scan	\$ 801	\$ 801	\$ 801
Cost per Scan	\$ 916	\$ 741	\$ 622

